

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-5-G - ORDER NO. 2012-959
DECEMBER 21, 2012

IN RE: Annual Review of Purchased Gas)	ORDER ON PGA AND
Adjustment and Gas Purchasing Policies of)	ADOPTING
South Carolina Electric & Gas Company)	SETTLEMENT
)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (“the Commission”) for annual review of the Purchased Gas Adjustment (“PGA”) and the Gas Purchasing Policies of South Carolina Electric & Gas Company (“SCE&G” or “Company”), as required by Order No. 87-898, issued on August 14, 1987. Pursuant to that order, the Commission opened the present docket for the purpose of conducting SCE&G’s 2012 annual PGA review. On June 13, 2012, the Commission scheduled a hearing for this matter for November 8, 2012, and issued a notice of hearing and set return dates for intervention. The period under review in this docket is August 1, 2011, through July 31, 2012 (“Review Period”).

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 13, 2012, the Commission instructed the Company to publish the Notice of Hearing in a newspaper of general circulation in the affected areas advising all interested parties of the manner and time in which to file pleadings to obtain the right to participate in this proceeding. The Commission further instructed SCE&G to provide notification of the PGA review to each affected customer

via U.S. Mail or by electronic mail to those customers who have agreed to receive notices by electronic mail on or before September 4, 2012, and to provide certification on or before September 24, 2012. The Company timely filed affidavits and proofs of publication to confirm its compliance with the Commission's instructions on August 27, 2012.

The South Carolina Office of Regulatory Staff ("ORS") is a party in this matter pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2011). No other parties sought to intervene in this proceeding.

By letter dated June 13, 2012, the Commission's Clerk's Office issued scheduling directions to all parties establishing the dates for the parties to pre-file testimony and exhibits in this case.

On September 27, 2012, SCE&G pre-filed the direct testimony of witnesses M. Shaun Randall, J. Darrin Kahl, and Harry L. Scruggs. On October 11, 2012, ORS pre-filed the direct testimony of witnesses John O. Powers and Carey M. Stites.

On October 31, 2012, ORS and SCE&G (the "Settling Parties") filed a comprehensive Settlement Agreement ("Settlement Agreement") wherein they stipulated to a resolution of all issues in the proceeding.

The Commission conducted a formal hearing in this matter on November 8, 2012, beginning at 10:30 a.m. in the hearing room of the Commission, with the Honorable David A. Wright presiding. K. Chad Burgess, Esquire, and Matthew W. Gissendanner, Esquire, represented the Company. Jeffrey M. Nelson, Esquire, represented ORS.

At the opening of the hearing, Mr. Nelson moved the Settlement Agreement into the evidence of record. The Settlement Agreement, as modified by Hearing Exhibit No. 4, is identified as Order Exhibit No. 1.¹

In support of its PGA and Gas Purchasing Policies and the Settlement Agreement and as stipulated in the Settlement Agreement, SCE&G presented direct testimony from M. Shaun Randall, J. Darrin Kahl, and Harry L. Scruggs. ORS presented direct testimony from John O. Powers and Carey M. Stites. Consistent with the terms of the Settlement Agreement, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Settlement Agreement, as modified by Hearing Exhibit No. 4. Based on the evidence of record, the Commission concludes, as the Settling Parties have stipulated, that adoption of the Settlement Agreement, as modified by Hearing Exhibit No. 4, is in the best interest of SCE&G's customers, the State of South Carolina, and the financial integrity of the Company.

In making this finding, the Commission specifically finds that during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly

¹ The pre-filed direct testimony of SCE&G Witness Scruggs and the Settlement Agreement provided for allocation factors of 66.41% for Residential, 31.15% for Small General Service/Medium General Service of 31.15%, and 2.43% for Large General Service. At the hearing, the Commission noted that these percentages totaled 99.99% rather than 100% which the Settling Parties acknowledged was due to rounding. At the request of the Commission, SCE&G recalculated the demand allocation factors and submitted Hearing Exhibit No. 4, which reflected the new demand allocation factors as follows: Residential 66.41%; Small General Service/Medium General Service 31.16%; and Large General Service 2.43%.

adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders and administered the PGA in a prudent and reasonable manner; (d) conducted and administered its hedging program consistent with the authorization granted in Order No. 2006-679 and as modified in Order Nos. 2008-546 and 2012-39; and (e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679, as modified in Docket No. 2009-5-G, Order No. 2009-910, should be maintained. The Settling Parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. We further find the allocation factors of Residential 66.41%, Small General Service/Medium General Service 31.16%, and Large General Service 2.43%, as set forth in Hearing Exhibit No. 4, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2013.

We accept the use of the cost of gas calculations for the period August 1, 2011, through July 31, 2012, as set forth in Settlement Exhibit No. 1, which is attached hereto as a part of Order Exhibit No. 1.

The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total over/under collection balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679, for the same reasons set forth in that Order. Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

The Commission also finds that the Company conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Commission Order Nos. 2006-679 and 2007-595 as modified by Order Nos. 2008-546 and 2012-39. We further find that the Company last acquired a financial hedging position on January 10, 2012, in compliance with the provisions of Commission Order No. 2012-39, and that all of SCE&G's outstanding hedge positions will expire by December 31, 2012. Until such time as all of SCE&G's existing hedges expire, the Commission finds that SCE&G's hedging program shall continue to be operated independent of and shall be accounted for separate from its purchase of physical gas supply.

SCE&G shall continue to report to ORS and the Commission within 30 days of the close of each month the results of its existing financial hedges along with other information as stipulated in the Settlement Agreement, as modified by Hearing Exhibit

No. 4. Following the expiration of all of SCE&G's existing hedges, SCE&G shall no longer be required to submit reports on the hedging program to anyone, including the Commission and ORS. Based on the testimony and exhibits and the Settlement Agreement entered into the record of this proceeding, as modified by Hearing Exhibit No. 4, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Settlement Agreement, as modified by Hearing Exhibit No. 4, are appropriate for adoption in this proceeding and therefore finds that the Settlement Agreement, as modified by Hearing Exhibit No. 4, is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement, as modified by Hearing Exhibit No. 4, which was stipulated to by the Settling Parties and accepted into the record without objection, is incorporated into and made a part of this Order as Order Exhibit No. 1. Further, the Settlement Agreement, as modified by Hearing Exhibit No. 4, constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the PGA. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order Nos. 2006-679 and 2009-910, which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

5. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

6. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order No. 2009-910, shall be maintained.

7. The allocation factors contained in Hearing Exhibit No. 4 are appropriate and should be used for cost of gas calculations beginning with the first billing cycle of January 2013.

8. SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over/under collection balances in the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679. In the event of an over-collection balance, carrying costs shall be credited to customers.

9. SCE&G conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Docket No. 2006-5-G, Order No. 2006-679 and modified by Order Nos. 2008-546 and 2012-39.

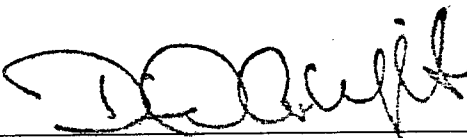
10. SCE&G's existing hedges shall continue to be maintained and managed consistent with the Company's approved hedging program. As noted previously in this Order, all of SCE&G's outstanding hedge positions will expire by December 31, 2012.

11. SCE&G shall continue to report to ORS and the Commission within 30 days following the close of each month the results of the hedging program for the preceding months as stipulated in the Settlement Agreement, as modified by Hearing Exhibit No. 4.

12. The actual balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA over/under collection calculation, and the Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall continue to be applied to the demand component of the cost of gas factor.

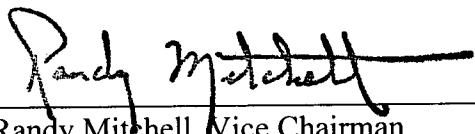
13. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



David A. Wright, Chairman

ATTEST:



Randy Mitchell, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-5-G
October 31, 2012

IN RE:)	
Annual Review of Purchased Gas)	SETTLEMENT
Adjustment and Gas Purchasing Policies of)	AGREEMENT
South Carolina Electric & Gas Company)	

This Settlement Agreement ("Settlement Agreement") is made by and between the South Carolina Office of Regulatory Staff ("ORS") and South Carolina Electric & Gas Company ("SCE&G" or "Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on June 13, 2012, the Public Service Commission of South Carolina ("Commission") issued the notice of hearing for the 2012 Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies ("PGA") of SCE&G;

WHEREAS, the purpose of this proceeding is to review matters related to SCE&G's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs;

WHEREAS, the period under review in this docket is August 1, 2011, to July 31, 2012 ("Review Period");

WHEREAS, ORS examined the books and records of SCE&G and conducted inquiries and analyses related to the Company's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs for the Review Period;

WHEREAS, ORS determined that during the Review Period, SCE&G: a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; b) employed prudent gas purchasing practices and policies; c) recovered its gas costs consistent with applicable tariffs and Commission orders; d) conducted and administered its hedging program in a manner consistent with the authorization granted in Order No. 2006-679, as modified in Orders No. 2008-546 and 2012-39; and e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans;

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties further agree to stipulate into the record without cross-examination the pre-filed direct testimony and exhibits of J. Darrin Kahl, Harry L. Scruggs, and John O. Powers, and the pre-filed direct testimony of M. Shaun Randall and Carey M. Stites. Furthermore, each witness will take the stand to present his or her testimony and, if necessary, make non-material changes to their testimony comparable to those that would be presented via an errata sheet or through a witness noting a correction. With respect to this Settlement Agreement, Company Witness M. Shaun Randall is the witness designated to be primarily responsible for providing support for the Settlement Agreement at the hearing scheduled in this case.

2. For the purpose of setting the gas cost recovery factors, the Parties accept the use of the cost of gas calculations for the period August 1, 2011, through July 31, 2012, set forth in Settlement Exhibit No. 1 attached hereto (Exhibit No. ____ HLS-1).

3. The Parties agree to maintain the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 and as amended by Commission Order No. 2009-910.

4. The Parties acknowledge the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors under this Settlement Agreement. The Parties agree that the allocation factors contained on page 3 in Mr. Scruggs' pre-filed direct testimony (Residential 66.41%; Small General Service/Medium General Service 31.15%; and Large General Service 2.43%) are appropriate and should be used for the cost of gas calculations beginning with the first billing cycle of January 2013.

5. As part of this Settlement Agreement, the Parties agree that SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total over- or under-collection balances in the same method and with the same limitations as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679.

6. The Parties agree that the hedging program and methodologies approved by Commission Order No. 2006-679 in Docket No. 2006-5-G for the Company's natural gas

supplies were conducted and administered during the Review Period in a manner consistent with Order No. 2006-679, as modified by Order No. 2008-546 and Order No. 2012-39.

7. The Parties agree that SCE&G's hedging program was operated in compliance with the provisions of Commission Order No. 2012-39 in that the last financial hedging positions the Company acquired were on January 10, 2012, and all of SCE&G's outstanding hedge positions will expire by December 31, 2012.

8. Until such time as all of SCE&G's existing hedges expire, SCE&G agrees to continue reporting to the Commission and ORS within 30 days following the close of each month the results of the hedging program for the preceding month, which report shall include the hedging transactions closed-out during the month, the additions to or subtractions from the cost of gas resulting from closed-out contracts, the costs of operating the program during the month, and a list of open transactions as of the last day of the month for each succeeding month. Following the expiration of all of SCE&G's existing hedges, SCE&G shall not be required to submit reports on the hedging program to the Commission or ORS unless and until the Commission orders otherwise.

The Parties further agree that, until such time as all of SCE&G's existing hedges expire, SCE&G's hedging program shall continue to be operated independent of and shall be accounted for separate from its purchase of physical gas supply.

9. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

- ... 'public interest' means a balancing of the following:
- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;

- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Settlement Agreement reached among the Parties serves the public interest as defined above.

10. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

11. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

12. This Settlement Agreement shall be interpreted according to South Carolina law.

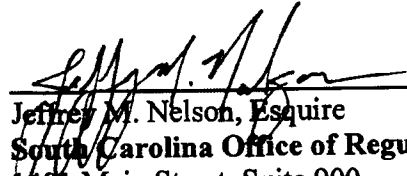
13. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document

constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

WE AGREE:

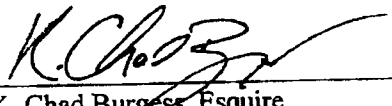
Representing the South Carolina Office of Regulatory Staff



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WE AGREE:

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Settlement Exhibit No. 1

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY
PURCHASE GAS ADJUSTMENT
OVER/UNDER COLLECTION**

Exhibit No. ____ (HLS-1)

	ACTUAL COMMODITY COST PER THERM (COL. 1)	BILLING COMMODITY COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	FIRM SALES THERMS (COL. 4)	COMMODITY (OVER/UNDER COLLECTION (COL. 5) (3x4)	DEMAND (OVER/UNDER COLLECTION (COL. 6)	TOTAL (OVER/UNDER COLLECTION (COL. 7) (5+6)	CUMULATIVE (OVER/UNDER COLLECTION (COL. 8)
							BEGINNING BALANCE	JUL 11 (\$6,606,021)
AUG 11 **	\$0.39399	\$0.45202	(\$0.05803)	6,791,970	(\$2,213,478)	\$2,935,548	\$722,070	(\$5,882,951)
SEP 11	\$0.37239	\$0.45202	(\$0.07963)	7,360,846	(\$602,328)	\$2,219,577	\$1,617,249	(\$4,265,703)
OCT 11	\$0.56457	\$0.45202	\$0.11255	8,482,427	\$833,862	\$305,409	\$1,239,272	(\$3,026,431)
NOV 11	\$0.46894	\$0.36770	\$0.09824	15,628,146	\$1,546,175	(\$1,098,091)	\$448,084	(\$2,578,347)
DEC 11	\$0.40313	\$0.36770	\$0.03543	23,567,996	\$824,129	(\$1,873,300)	(\$1,049,171)	(\$3,627,518)
JAN 12	\$0.38007	\$0.34534	\$0.03473	31,528,420	\$1,085,622	(\$519,439)	\$566,183	(\$3,061,335)
FEB 12	\$0.28464	\$0.28858	(\$0.00394)	28,423,325	(\$125,152)	\$757,229	\$632,077	(\$2,429,258)
MAR 12	\$0.17973	\$0.28858	(\$0.10885)	20,571,677	(\$2,244,015)	\$3,234,344	\$890,329	(\$1,438,929)
APR 12	\$0.28162	\$0.28858	(\$0.00696)	10,075,324	(\$70,359)	\$2,332,838	\$2,262,480	\$823,550
MAY 12	\$0.19717	\$0.28858	(\$0.09141)	9,601,275	(\$870,617)	\$3,085,777	\$2,215,159	\$3,038,710
JUN 12	\$0.22392	\$0.25283	(\$0.02891)	7,881,332	(\$225,253)	\$1,978,800	\$1,753,547	\$4,792,257
JUL 12	\$0.25343	\$0.25283	\$0.00060	7,238,584	\$719	\$1,706,716	\$1,707,435	\$6,499,692

* Includes adjustment of (\$583,928) plus interest for August 2011 of (\$1,401) totalling (\$585,327) due to incorrect assignment of gas costs between LDC and Jasper Electric Generating facility as addressed in 2011 PGA testimony of John Powers (Docket No. 2011-5-G).

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2012-5-G

IN RE:

Annual Review of Purchased Gas)
Adjustment and Gas Purchasing Policies)
Policies of South Carolina Electric &)
Gas Company.)
_____)

HEARING EXHIBIT NO. 4

In its pre-filed direct testimony, South Carolina Electric & Gas Company ("SCE&G") presented demand allocation factors totaling 99.99% (Residential 66.41%; Small General Service/Medium General Service 31.15%; and Large General Service 2.43%). At the public hearing in the above-referenced docket, SCE&G was asked to provide demand allocation factors totaling 100%. In response to this request, SCE&G has recalculated its demand allocation factors and rounded the results where appropriate. The new demand allocation factors are as follows:

Residential	66.41%
Small General Service/Medium General Service	31.16%
<u>Large General Service</u>	<u>2.43%</u>
Total	100%